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UNIFORM SYSTEM OF ACCOUNTS

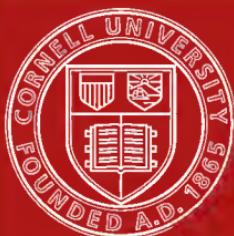
FOR

Water Utilities

FIRST ISSUE

Effective January 1, 1913

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STATE OF NEW JERSEY

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BOARD OF
PUBLIC UTILITY COMMISSIONERS

UNIFORM SYSTEM OF ACCOUNTS

FOR

Water Utilities

FIRST ISSUE

Effective January 1, 1913

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**UNIFORM SYSTEM OF ACCOUNTS
for
WATER UTILITIES.**

The uniform system of accounts contained in this circular is established and issued by the Board of Public Utility Commissioners, State of New Jersey, under the following provision of Chapter 195, Laws of 1911:

Section II, Paragraph 17: The board shall have power, after hearing, upon notice, by order in writing, to require every public utility as herein defined:

(d) To keep its books, records and accounts so as to afford an intelligent understanding of its business and to that end to require every such public utility of the same class to adopt a uniform system of accounting.

On and after January 1, 1913, every water utility, as defined in Section I, Paragraph 15 of the above mentioned statute, will be required to carry on its books the accounts herein prescribed or defined, *in so far as the same are pertinent to the facts and circumstances of said utility*, and to keep such accounts in conformity with the definitions and instructions contained herein.

During the year beginning January 1, 1913, any water utility may, for purposes of comparison, keep on its books, in addition to the accounts herein prescribed, such portion or portions of its present accounts as may be deemed desirable by any such utility.

For purposes of efficiency of administration and operation, any utility may, unless or until otherwise ordered, keep upon its books any temporary or experimental accounts, and any accounts covering particular divisions of its operations, provided that such temporary, experimental, or divisional account shall not impair the integrity of any account herein prescribed.

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SCHEDULE A.

BALANCE SHEET OR INDICANT ACCOUNTS.

DEFINITIONS AND INSTRUCTIONS.

1. Public Utility and Water Operations Defined.—Section I, Paragraph 15, Chapter 195, Laws of 1911, defines "public utility" as follows: "The term 'public utility' is hereby defined to include every individual, co-partnership, association, corporation, or joint stock company, their lessees, trustees or receivers appointed by any court whatsoever, that now or hereafter may own, operate, manage or control within the State of New Jersey any steam railroad, street railway, traction railway, canal, express, subway, pipe line, gas, electric light, heat, power, *water*, oil, sewer, telephone, telegraph system, plant or equipment for public use, under privileges granted or hereafter to be granted by the State of New Jersey or by any political subdivision thereof."

Water operations, as the term is hereinafter used, include all acts and transactions directly connected with the operation of a plant for the collection, purification and pumping of water to be distributed or sold for distribution to consumers thereof, and all operations incident thereto, including the collection of revenues therefor and the disposition of any by-product produced in connection therewith.

2. Accounts to be kept by double-entry method.—All accounts kept by any corporation or person within the scope of the present order shall on and after January 1, 1913, be kept by the double-entry method.

NOTE.—This requirement is not intended to apply to purely statistical accounts.

3. Capital Defined.—As the term is used herein, by *capital* of a corporation is meant all property devoted to the rendering of the services or the production of the commodities which are within the purposes of the corporation.

4. Fixed Capital Defined.—Capital which has an expectation of life in service of more than one year (exception being made of hand and other small portable tools liable to be lost or stolen) is called *fixed capital*.

NOTE.—Hand and other small portable tools liable to be lost or stolen shall, when first acquired and before issued for use, be carried in a suitable Materials and Supplies account; when issued they shall be charged to the appropriate expense account. Portable tools and apparatus of special value may, however, be charged to the appropriate tangible capital account and remain therein so long as record is kept of the persons to whom such tools and apparatus are issued and such persons are made responsible therefor.

5. **Floating Capital Defined.**—Capital other than fixed capital is called *Floating Capital*.

6. **General Capital and Departmental Capital Defined.**—Fixed capital is divisible into general capital and departmental capital, *general capital* being that which is indiscriminately available for the uses of two or more classes of operations, while *departmental capital* is that assigned solely or principally to a single class of operations.

7. **Landed Capital and Non-landed Capital Defined.**—Fixed capital is also divisible into landed capital and non-landed capital. *Landed capital* includes all interests in land (exclusive of improvements thereon), the term of which is more than one year. All other fixed capital is herein called *non-landed capital*.

8. **Intangible and Tangible Capital Distinguished.**—Non-landed capital is divisible into intangible and tangible. *Intangible capital* comprises organization, franchises, patent-rights, and all other intangible capital within the definition of fixed non-landed capital as above stated. *Tangible capital* comprises structures and equipment having an expectation of life in service of more than one year. Because of their liability to loss or theft, hand or other small portable tools are excepted from tangible capital, and the cost of such tools when issued is required to be treated as a part of the operating expenses. (See note under definition No. 4.)

9. **First Entries Must Enable Identification.**—The first entry relating to anything for which a charge or a credit is made to any fixed capital or investment account shall describe the property in respect of which the entry is made with such fullness and particularity as to enable its identification.

10. **Costs to be Actual Money Costs.**—All charges made to fixed capital or other property accounts with respect to any property acquired on or after January 1st, 1913, shall be the actual money cost of the property. When the consideration actually given for anything with respect to which a charge is made to any fixed capital or other property account is anything other than money, the actual consideration shall be described in the entry with sufficient fullness and particularity to identify it, and the amount charged shall be the actual money value of such consideration at the time of the transaction.

11. **Discounts Upon Securities Not to be Included in Costs.**—Discounts upon securities and other commercial paper issued are to be provided for in other accounts

and must in no case be included as a part of the cost of any property acquired.

12. Costs of Labor, Materials and Supplies.—Cost of labor (employed in construction) includes not only wages, salaries and fees paid employees, but also such personal expenses of employees as are borne by the company. Cost of materials and supplies consumed in construction is the cost at the places where they enter into construction, including cost of transportation and inspection when specifically assignable. If such materials and supplies are passed through storehouses, their cost entered in the account may include a suitable proportion of store expense. The term "cost" as used herein means the actual cost in money of labor and materials used in construction, or the actual cost in money of property acquired after construction, or if the consideration given is other than money, the actual money value of such other consideration at the time of the purchase.

13. Withdrawals or Retirements.—When anything (not including minor parts the renewal of which is considered a repair) is withdrawn or retired from service, the amount at which it stood charged shall be credited to the account in which it stood charged at the time of withdrawal, and the entry of such credit shall cite by name and page of book or other record the original entry of cost of the thing withdrawn. If there is no such original entry, that fact shall be stated in connection with the credit entry, and the actual amount originally charged shall be credited. If such amount is not known, it shall be estimated, the facts upon which the estimate is based and the name of the person by whom estimated shall be shown, and the amount thus estimated to be the original charge in respect of such thing withdrawn shall be credited.

14. Plant and Equipment and Other Property Purchased.—When any property in the form of a going or completed plant is purchased, an appraisal of the property so acquired shall be made, and the different constituent elements of the plant and equipment, or other property acquired shall be appraised at their structural value; that is to say, at the estimated cost of replacement or reproduction less deterioration to the then existing condition through wear and tear, obsolescence and inadequacy. If the actual money value of the consideration given for the plant or other property was at the time of the acquisition in excess of such appraised value, the excess shall be charged to account No. 104, "Other Intangible Water Capital," and the appraised values of the constituent elements shall be charged to the appropriate fixed capital ac-

counts as hereinafter designated. If the actual money value of the consideration given was not in excess of such appraised value, such actual money value shall be distributed through the said accounts in proportion to the said appraised value of the constituent elements appropriate to the respective accounts. Full report of the contract of acquisition, the consideration given therefor, the determination of the actual money value of such consideration, the appraisal, and the amounts charged to the respective accounts for each plant or other such property purchased, will be required to be filed with the Board of Public Utility Commissioners, and the purchaser will be required to procure in connection with the acquisition of any such plant or other fixed capital all existing records, memoranda, and accounts in the possession or control of the grantor relating to the construction and improvement of such plant, and to preserve such records, memoranda, and accounts until authorized by law to destroy or otherwise dispose of them.

ASSET ACCOUNTS.

100. FIXED CAPITAL INSTALLED PRIOR TO JANUARY 1, 1913.

Charge to this account all the Fixed Capital of the accounting person or corporation devoted to water operations as such capital stood at the close of December 31, 1912. Such charges should be made at the figures at which such capital was carried on the books of the said person or corporation on that date. No charges should be made to this account with respect to any property subsequently acquired, but the cost of such property should be charged to accounts Nos. 101-142, hereinafter provided.

When any capital included in this account is withdrawn or retired from service, the amount at which it is charged therein (estimated, if not known) should be credited thereto, and the amount so credited, less salvage, should (except as specified below under "Property Abandoned") be concurrently charged to account No. 216, "Accrued Amortization of Capital," and any debit balance in the latter account closed out at the end of the fiscal year into the "Corporate Surplus or Deficit" account.

NOTE.—Corporations will be required to carry as sub-accounts of account No. 100, the several accounts on their books on December 31, 1912, which are combined to make up the said account, and to furnish information concerning such sub-accounts in their annual reports.

101-142. FIXED CAPITAL INSTALLED SINCE DECEMBER 31, 1912.

Charge to the proper sub-account hereunder (see pp. 27-39) the cost of all fixed capital of the accounting person or corporation devoted to water operations, installed or acquired since December 31, 1912.

150. FIXED CAPITAL IN OTHER DEPARTMENTS.

Charge to this account, or to appropriate sub-accounts hereunder, all fixed capital of the accounting person or corporation, both tangible and intangible, devoted to other than water operations.

151. CONSTRUCTION WORK IN PROGRESS.

Charge to this account the amounts expended upon plant and equipment in process of construction under estimate or work orders but not yet ready for service, including such proportion of plant supervision expenses, engineering expenses, tool expenses, supply expenses, and general expenses as may be properly chargeable to the construction work included under this account. As soon as such work is completed the cost of same should be credited to this account and charged to the appropriate fixed capital or other accounts.

In case any expenditures are carried in this account beyond the close of any fiscal year, companies will be required to furnish in their annual reports a complete analysis of this account, showing the total amount expended during the year upon each particular job, the date when same was begun, the date when it is expected to be completed, and such further information as the Board may deem necessary.

15. Floating Capital Divided Into Two Groups.— Floating Capital is divided into two great groups, of which the first is herein called *Materials and Supplies*, and the second, *Current Assets*.

152. MATERIALS AND SUPPLIES.

Charge to this account or appropriate sub-accounts hereunder the cost (including transportation) of all materials and supplies acquired, the salvage value of discarded equipment, and of equipment, materials and supplies returned to store, regardless of whether the same are intended to be consumed in construction or in operation, or later to be sold. Where discounts

recovered through prompt payment are not credited to the particular bills, the cost at which such materials and supplies shall be charged shall be the invoice cost, and any discounts recovered through prompt payment of bills for such materials and supplies should be credited to account No. 142, "Interest During Construction," or to account No. 420, "Miscellaneous Adjustments—Balance," according as such materials and supplies are intended for construction or for operation.

When the use of any tangible fixed capital is discontinued, it shall be treated as retired. The original cost of such capital should be credited to the fixed capital account in which carried, and the salvage value, if any, charged to this account or an appropriate sub-account. If such value is not known and cannot readily be determined, it should be estimated, and errors in such estimates, when determined, adjusted through the accounts involved.

Inventories of materials and supplies should be taken at least annually, and any shortages or overages disclosed by such inventories should be credited or debited to this account, and debited or credited to the operating expense account No. 420, "Miscellaneous Adjustments—Balance," in case they cannot be assigned to specific accounts. When such materials and supplies have been used in construction, a suitable proportion of such shortages and overages may be debited or credited to account No. 141, "Miscellaneous Construction Expenditures."

NOTE.—It is not required that the transportation element of cost shall be assigned with a greater degree of accuracy than to the nearest cent per unit of material or supply. Where a single transportation item covers a multitude of things, the portion of the expense not assigned to specific things should be charged to the same account that store expenses are charged to.

153. CASH.

Charge to this account all money coming into the possession of the corporation and in which the corporation has the beneficial interest. This includes coin of the United States, United States treasury notes, gold and silver certificates and greenbacks, and bank bills payable to bearer. Also charge to it all bank credits, checks and drafts receivable, subject to satisfaction or transfer upon demand (whether payable to bearer or to order). Credit this account with all cash disbursements of the corporation.

154. BILLS RECEIVABLE.

Charge to this account the cost of all negotiable paper in the form of notes receivable or other similar evidences of money receivable on demand or within a time not exceeding one year. This includes demand notes, drafts, etc., issued by others than banks, and time notes, drafts, etc., by whomsoever issued. It does not include investments nor interest coupons. Time loans that mature more than one year after date of issue should be considered as investments and should not be included in this account.

155. ACCOUNTS RECEIVABLE.

Charge to this account all amounts owing to the accounting person or corporation upon accounts with solvent concerns (other than bank accounts); also all accounts and claims upon which responsibility is acknowledged by solvent concerns or individuals, or which are sufficiently secured to be considered good, and all judgments against solvent concerns where the judgment is not appealable or suspended through appeal. This account does not include negotiables.

156. INTEREST AND DIVIDENDS RECEIVABLE.

To the appropriate sub-account hereunder should be charged all interest considered collectible, which has accrued but has not yet been collected, upon investments, notes receivable, or other commercial paper, and accounts considered collectible held by or for the benefit of the company; also all dividends declared or guaranteed by solvent concerns but not yet collected, the right to which is in the corporation.

157. OTHER CURRENT ASSETS.

Charge to this account the cost of all current assets of the corporation which are not includable under any of the last four foregoing accounts. By current assets are meant only those things which are readily convertible into money, and which are held with the intent of being presently converted into money and not as investments.

16. Special Deposits Defined.—By *Special Deposits*, as here used, are meant amounts of money and bank credits in the hands of fiscal or other agents of the corporation for the payment of coupons, dividends, or other special purposes. Credits at banks subject to check of the corporation or its agents for general purposes, deposits at banks, whether withdrawable at pleasure or after a specified time, amounts of money

in safe deposit vaults, etc., so long as they are available for general purposes of the corporation, should be excluded herefrom.

158. COUPON SPECIAL DEPOSITS.

Charge to this account all moneys and bank credits *specially* deposited in the hands of fiscal agents or other agents of the corporation for the payment of interest coupons when presented. Such coupons, when paid from such deposits, should be credited to this account and charged to the appropriate matured interest account. Payments to trustees (or other agents) of the holders of bonds or other securities of the interest accrued thereon, which operate under the terms of the securities (or of mortgages supporting such securities) as a release of the paying corporation from further liability for such interest, shall not be charged to this account, but to the appropriate "Interest Accrued" account.

159. OTHER SPECIAL DEPOSITS.

Charge to this account all moneys and bank credits deposited in the hands of fiscal agents or other agents of the corporation for other *special* purposes not elsewhere provided for. Charges to this account should specify the purpose for which the deposit is made. When such purposes are satisfied this account should be credited with the amount specially deposited to provide such satisfaction.

160. INVESTMENTS.

Charge to this account or appropriate sub-accounts hereunder, the cost of all properties acquired, not for use in present operations, but as a means of obtaining or exercising control over other corporations, or for income to be derived therefrom, or for a rise in value, or for devotion to future operations at a time when it seems probable that they cannot be so advantageously acquired as at time of actual acquisition. Investments should be classified into *bound* and *free* investments. By *bound* investments are meant those held subject to a lien of some character; by *free* investments are meant those held free of all liens.

NOTE.—In the annual reports to the Board of Public Utility Commissioners, investments, whether bound or free, will be required to be classified with at least the following detail: Funded Debt of Controlling Corporations, Funded Debt of Affiliated Corporations, Funded Debt of Controlled Corporations, Stocks of Controlling Corporations, Stocks of Affiliated Corporations, Stocks of Controlled Corporations, Advances to Controlling, Controlled or Affiliated

Corporations, Funded Debt of Other Corporations, Stocks of Other Corporations, Land, Improvements on Land, and Other Investments.

From this account should be excluded all securities carried in Sinking or Other Special Reserve Funds, separate accounts for which are elsewhere provided.

161. RE-ACQUIRED SECURITIES.

When securities, whether funded debt or stocks, have been actually issued to bona fide holders for value (or after such issue by another corporation) have been assumed by the accounting corporation, and after such issue (or assumption) have been acquired by the corporation under circumstances which require that they shall not be treated as paid or retired, they should be charged at face value to this account.

162. SINKING FUNDS.

In this account should be included the amount of cash and the cost or book value of securities in the hands of trustees of sinking and other funds for the purpose of redeeming outstanding obligations. A separate sub-account should be carried for each separate sinking fund.

163. OTHER SPECIAL FUNDS.

In this account should be included the amount of cash and the cost or book value of securities in any special fund belonging to or held in trust by the accounting person or corporation for specific purposes not elsewhere provided for. A separate sub-account should be carried for each separate fund.

164. PREPAYMENTS.

When payments for taxes, insurance, rents, etc., are made in advance of the period to which they pertain, the amount of the advance payment should be charged to an appropriate sub-account hereunder. At the close of each month or quarter thereafter the amount of the advance payment applicable thereto should be credited to such account and charged to the appropriate expense or other income account.

17. **Suspense.**—When any expenditure is made, the appropriate disposition of which is not yet determinable, or when any loss occurs which is to be spread over a period of time, or when any other debit is amortized through charges made to expense or other income accounts at intervals over a period of time, such expenditure, loss or other debit, should, except as

herein otherwise directed, be charged to the appropriate suspense account.

The word "amortization" as used herein denotes the gradual extinction of a charge or the clearing off of expiring value. It is applied to tangible or intangible property, wherein it is more comprehensive than "depreciation."

165. UNAMORTIZED DEBT DISCOUNT AND EXPENSE.

When funded debt securities and other evidences of indebtedness are disposed of for a consideration whose cash value is less than the sum of the par value of the securities or other evidences of indebtedness and of the interest thereon accrued at the time the transfer takes place, the excess of such sum of the par value and accrued interest over the cash value of the consideration received shall be charged to this account.

To this account shall also be charged all expense connected with the issue and sale of evidences of debt, such as fees for drafting mortgages and trust deeds, fees and taxes for recording mortgages and trust deeds, cost of engraving and printing bonds, certificates of indebtedness and other commercial paper having a life of more than one year, fees paid trustees provided for in mortgages and trust deeds, fees and commissions paid underwriters and brokers for marketing such evidences of debt, and other like expense. At or before the close of each fiscal period thereafter, a proportion of such discount and expense, based upon the life of the security to maturity, shall be credited to this account and charged to account No. 516, "Amortization of Debt Discount and Expense."

166. PROPERTY ABANDONED.

When any important piece of property, other than land, included in fixed capital accounts, is abandoned by reason of its being replaced with enlarged, improved, or more efficient property, the corporation may, if so authorized upon application to the Board of Public Utility Commissioners, open on its books a "Property Abandoned" account. The purpose in providing this account is to enable the corporation to charge off during a term of years the loss on property abandoned on account of improvements or betterments in the interest of greater efficiency.

When property is charged to this account, it should be at the original cost (estimated, if not known), less

salvage, and less the amount of accrued depreciation applicable thereto. The appropriate property account should be credited with the cost of the property; "Accrued Amortization of Capital" should be charged with the amount of accrued depreciation; the proper accounts should be debited with salvage; and the balance should be charged to this account, to be extinguished during a period of years by charges against income or against surplus, according as the Board, on application, decides.

NOTE.—This account does not apply to property acquired subsequently to December 31, 1912; on such property the charges for depreciation in operating expenses should be sufficient to care for all wear and tear, obsolescence and inadequacy.

167. OTHER SUSPENSE.

To this account should be made all debits not provided for elsewhere, the proper final disposition of which is uncertain. This includes all expenses of preliminary surveys, plans, investigations, etc., made for determining the feasibility of projects under contemplation. Should any such project later be carried to completion, the amounts so expended should be credited to this account and charged to the proper fixed capital accounts; should it be abandoned, the amounts should be charged to the appropriate operating expense or other income account.

When the proper disposition of any matter charged to this account is determined, it should be credited to this account and charged to the appropriate account or accounts.

168. CORPORATE DEFICIT.

Under this head should be shown the debit balance, if any, in the "Corporate Surplus or Deficit Account."

LIABILITY ACCOUNTS.

18. **Debt Defined.**—The word *debt*, as here used, covers all absolute obligations to pay money at a definite time or times, or at a time or times which are capable of being made definite by demand or other act of the creditor. It does not cover contingent obligations, such as obligations to pay rent for future enjoyment of the term, liabilities of indorsers upon paper not yet defaulted, etc.

Debt is divided into *Funded Debt* and *Unfunded Debt*,

19. **Funded Debt Defined.**—*Funded Debt* comprises all debt which by the terms of its creation does not mature until more than one year after date of creation.
20. **Unfunded Debt Defined.**—*Unfunded Debt* comprises all debt which by the terms of its creation matures one year or less after the date of creation or after demand.

200. FUNDED DEBT ACCOUNTS.

Funded debt shall be divided in the accounts into classes, such classes being determined by the four characteristics: (1) mortgage or other lien or security therefor, (2) rate of interest, (3) interest dates, and (4) date of maturity. A separate sub-account shall be raised for each such class of funded debt, and no two amounts of debt not agreeing in respect of all four of the characteristics above named shall be included in the same sub-account. The title of each sub-account of funded debt shall express the four characteristics above stated; that is to say, mortgage or other lien or security, rate of interest, dates of maturity of interest and date of maturity of principal, as e. g.: "First Mortgage 5 per cent. QF 10, August 10, 1928," which means funded debt secured by the company's first mortgage, bearing interest at the rate of 5 per cent. per annum, interest maturing quarterly, on February 10th, May 10th, August 10th, and November 10th of each year, principal maturing August 10th, 1928.

Where any portion of the funded debt rests only on the general credit of the corporation and is not specially secured or supported by lien of any character, it shall for the purpose of these accounts be known as a "debenture." "Debentures" thus include promissory notes unsecured by mortgage or other lien; also those securities commonly known as "plain bonds."

To the appropriate sub-account in "Funded Debt" shall be credited, when issued, the par value of the amount of evidence of funded indebtedness issued. The entry shall show not only the amount issued, but the purposes for which issued, and shall make intelligible reference to the book, page and account whereon are shown any discounts or premiums realized on the amount issued. If the consideration received for the issue is anything else than money, the entry shall show further the principal to whom issued, and shall describe with sufficient particularity to identify it the actual consideration received for the issue. If the issue in any case is to an agent of an undis-

closed principal, the name and business address of such agent and the fact of his agency shall be shown in the entry.

21. Unfunded Debt Accounts.—The accounts for unfunded debt are defined as follows:

201. TAXES ACCRUED.

Credit to this account at the close of each month or quarter the taxes accrued during the period, and make corresponding charges to the appropriate "Taxes" account. Charges to the account "Taxes Accrued" will necessarily be based upon estimate until the amount of tax levied for the tax period is known; such estimates shall be based upon the best data available, and as soon as the amount of tax for the period is known the account involved shall be adjusted to conform. When any tax is paid it shall be charged to this account and credited to "Cash" or other suitable account.

202. RECEIVER'S CERTIFICATES.

When any receiver, acting under the orders of a competent court, is in possession of the property of the corporation and under the orders of such court issues certificates of indebtedness chargeable upon such property, the par value of such certificates should be credited to this account. Interest accruing upon such certificates should also be credited to this account.

203. JUDGMENTS UNPAID.

When any judgment of indebtedness is rendered by a court of competent jurisdiction against the corporation, or any fine or penalty requiring the payment of money is assessed by such a court against the corporation, and no appeal accompanied by stay of execution has been taken therefrom within the time allowed by law for such appeal, the amount of such judgment should be credited to this account, and the entry should designate the action or suit as a consequence of which such judgment is pronounced or such fine or penalty assessed. The designation of the action or suit should show the court, the term thereof, the parties and the character of the action or suit. Interest accrued upon any such judgment should also be credited to this account.

204. INTEREST ACCRUED.

Credit to this account at the close of each month

or quarter the interest accrued during the period upon indebtedness of the corporation. When such interest is paid it shall be charged to this account and credited to "Cash" or other suitable account.

The account "Interest Accrued" does not include interest on judgments, nor that upon receiver's certificates. The interest accruing on any judgment against the corporation or upon any receiver's certificate shall be credited to the account to which such judgment or receiver's certificate stands credited.

NOTE.—When coupon interest matures it should be transferred from the sub-account "Unmatured Coupon Interest Accrued" to the sub-account "Coupon Interest Matured." When such interest is paid out of coupon special deposits the sub-account "Coupon Interest Matured" should be charged and the account "Coupon Special Deposits" credited.

205. OTHER ACCRUED LIABILITIES.

By accrued liabilities are meant those which accrue from day to day but do not become due until a particular date, such as interest, rent, taxes, etc. At the close of each month or quarter there should be credited to the appropriate sub-account hereunder, and charged to the proper operating expense, revenue or income deduction account, the amount of all such liabilities not provided for above, which has accrued during the period. When payments for same are made, they should be charged to the accrued liability accounts and credited to "Cash" or other suitable account.

206. DIVIDENDS DECLARED.

When any dividend is declared it should be credited to this account and here remain until it is paid, when it should be charged to this account and credited to "Cash" or other suitable account.

207. BILLS PAYABLE.

When any note, draft or other bill payable, which matures not later than one year after date of issue or of demand, is issued or a primary liability thereon assumed by the accounting person or corporation, the par value thereof should be credited to this account, and when it is paid it should be charged to this account, and credited to "Cash" or other suitable account.

208. ADVANCES FROM OTHER CORPORATIONS.

Credit to this account all advances from other corporations to enable the accounting person or

corporation to pay for construction or additions and betterments to its plant and equipment, or for any other purpose. This account should be kept in such manner as to show separately the amount advanced for construction and that advanced for other purposes.

209. CONSUMERS' DEPOSITS.

Credit to this account all cash deposited with the accounting person or corporation by consumers as security for the payment of water bills. Deposits refunded should be charged to this account and credited to "Cash." Deposits applicable to uncollectible or worthless bills should, at or before the close of the fiscal year, be credited to the account of the consumer involved and debited to this account.

210. OTHER ACCOUNTS PAYABLE.

Credit to this account all amounts owing to miscellaneous creditors on open accounts not elsewhere provided for.

211. UNEARNED REVENUE.

When bills are rendered for water to be supplied in future months, the proportion of the bills applicable thereto should be credited to this account. As the term for which the bill is made out expires, the appropriate revenue account should be credited and this account debited with the amount applicable to the current month or quarter.

212. OTHER UNFUNDED DEBT.

Credit to this account at face value all unfunded debt upon which the company is liable and which is not elsewhere provided for.

22. Reserves.—Reserves shall be classified as *Permanent and Temporary*.

23. Permanent Reserves Defined.—By *Permanent Reserves* are meant those that must be maintained intact during the life of the corporation. Permanent reserves shall be classified into the two classes: *Premiums on Stocks* and *Other Permanent Reserves*.

213. PREMIUMS ON STOCKS.

Premiums on stocks should be sub-classified with respect to the several classes of stocks, for definitions of which see accounts under the head "Stocks." A sub-account should be kept for each

particular class of stock, and such sub-accounts should be severally entitled:

Premiums on Debenture Stocks.

Premiums on First Preferred Stocks.

Premiums on Second Preferred Stocks, etc., and

Premiums on Common Stocks.

When a premium is realized upon an issue of any class of stock, such premium should be credited to the sub-account, "Premium on Capital Stock Sold," for that class of stock, and the credit should remain in the account so long as the stock remains outstanding. By "premium realized" is meant the excess of the actual money value of the consideration at the time of issue of the stock over the par value of the stock. If the stock is issued by the corporation to its treasurer or other agent, the excess of the actual money value of the consideration obtained by him over the par value of the stock should be considered the premium realized.

214. OTHER PERMANENT RESERVES.

Credit to this account all reserves not above provided for created to remain intact until the dissolution of the corporation. A separate sub-account should be created for each particular purpose for which a reserve is raised, and the purpose of the reserve should be designated in the title of the account thereof, and should be expressed in full in the first entry in such account.

24. Temporary Reserves Defined.—By *Temporary Reserves* are meant those that are not intended to remain intact during the life of the corporation. Temporary Reserves should be classified as *Contractual Reserves* and *Non-Contractual Reserves*.

215. CONTRACTUAL RESERVES.

Contractual Reserves are reserves necessitated by contracts of the corporation, as e. g., reserves to cover sinking funds provided for in mortgages, etc. A separate sub-account should be raised for each particular contractual reserve, and to such account should be credited all appropriations and accumulations made in accordance with the contract provisions under which such reserve is created. The purpose of the reserve should be designated in the title of the account thereof, and should be expressed in full in the first entry in such account.

25. Non-contractual Reserves Defined.—*Non-contractual Reserves* are such temporary reserves as are

raised without being required under any contract. Non-contractual reserves are divided into *Required* and *Optional*.

216. ACCRUED AMORTIZATION OF CAPITAL.

Credit to this account such amounts as are charged from time to time to "Operating Expenses" or other accounts to cover depreciation of plant and equipment, and other amortization of fixed capital.

When any capital is retired from service, the original money cost thereof (estimated, if not known; where estimated, that fact and the facts upon which the estimate is based should be stated in the entry), less salvage, should, except as provided under "Property Abandoned," be charged to this account, and the amount originally entered or contained in the charge to any fixed capital account with respect to property going out of service should be credited to that account, any necessary adjusting entry being made to the appropriate sub-account under the account "Corporate Surplus or Deficit."

NOTE.—Until otherwise prescribed, the amount estimated to be necessary to cover such wear and tear and obsolescence and inadequacy as have accrued during the year should be based on a rule to be determined by the accounting corporation. Such rule may be derived from consideration of the said corporation's history and experience. A general statement of the rule used by each company, together with the general information upon which it is based, should be filed with the Board of Public Utility Commissioners.

217. UNAMORTIZED PREMIUM ON DEBT.

When funded debt securities or other evidences of indebtedness are disposed of for a consideration whose cash value is greater than the sum of the par value of such securities or other evidences of indebtedness and the interest thereon accrued at the time the transfer takes place, the excess of the cash value of such consideration received over the sum of the par value of the securities or other evidences of indebtedness and the accrued interest should be credited to this account. At monthly or quarterly intervals thereafter a proportion of such premium based upon the life of the security or other evidence of indebtedness to maturity should be charged to this account and credited to "Amortization of Premium on Debt" in "Income" account. .

218. OTHER REQUIRED RESERVES.

Credit to this account all required reserves not

elsewhere provided for. The first entry of a credit to this account with respect to any particular reserve should show the purpose of the reserve, and every subsequent entry with respect to that reserve should designate the reserve to which it relates.

26. **Optional Reserves.**—*Optional Reserves* are those the creation of which is solely within the discretion of the corporation. For such reserves the following two accounts are provided:

219. **CASUALTY AND INSURANCE RESERVE.**

When any admitted liability arises because of loss or damage to the property of others, or of injuries to employees or other persons, the amount of the liability may (if not previously provided for by insurance or self-insurance) be charged to the appropriate operating expense or other accounts and credited to this account, against which (in such case) the actual cost of satisfaction of the liability shall be charged when the matter is determined. If the extent of the liability cannot be ascertained promptly after the liability arises, it may be estimated as accurately as practicable for the purpose of determining the immediate charge to the expense or other appropriate account, in which case the matter shall be adjusted when the extent of the liability is definitely ascertained. If the loss is of such character that it is in whole or in part indemnifiable under any contract of insurance carried by the corporation, the indemnifiable portion of the loss shall be charged to the insurer and credited to "Casualty and Insurance Reserve." Also credit to this account the amounts charged to the operating expense account "Insurance" to cover self-carried risks.

220. **OTHER OPTIONAL RESERVES.**

A sub-account should be raised for each particular reserve, and its title should designate the purpose of such reserve, and the first entry therein should express in full such purpose.

27. **Stocks Defined.**—By *Stocks* of a corporation, as the term is here used, are meant those securities which represent permanent interests in the corporation or interests which, if terminable, are so only at the option of the corporation.

28. **Stocks Classified.**—Stocks are classified as follows:

Debenture Stocks.

First Preferred Stocks.

*Second Preferred Stocks, etc. and
Common Stocks.*

29. **Debenture Stocks Defined.**—*Debenture Stocks* are those issued under a contract to pay absolutely thereon at specified intervals a specified return.
30. **First Preferred Stocks Defined.**—*First Preferred Stocks* are those which have the first claim upon such dividends as may be distributed. They may be cumulative or non-cumulative, participating or non-participating. If *cumulative*, the amount by which the dividend at any dividend period fails to reach the stipulated rate is carried forward to continue as a claim upon dividends until satisfied; if *non-cumulative*, such amount lapses. If a first preferred stock is *participating*, it is not limited to the stipulated rate in the amount of dividends which it may receive, but is entitled to participate, in accordance with the terms of the contract under which it is issued, in further dividends; if *non-participating*, it is limited to the stipulated rate.
31. **Second Preferred Stocks Defined.**—*Second Preferred Stocks* are those whose claims in the distribution of dividends are next after those of first preferred stocks. These stocks may also be cumulative or non-cumulative, participating or non-participating.
32. **Common Stocks Defined.**—*Common Stocks* are those whose claims in the distribution of dividends are subordinate to the claims of all other stocks.
33. **Voting Powers.**—Stocks differ also in regard to the voting powers incident to ownership of them.
34. **Retirements of Stocks.**—Stocks are sometimes issued under contracts wherein the issuing corporation reserves to itself the right to retire them at its option, either absolute or subject to conditions expressed in the contracts whereunder the stocks are issued.

221. CAPITAL STOCK ACCOUNTS.

In the accounts of stocks outstanding, a separate account should be raised for each class of stock issued, and no two stocks shall be considered of the same class unless they are equal in their interest or dividend rights, their voting rights, and the conditions under which they may be retired. The characteristics of any class of stocks in these three

regards shall be designated in the title of the account raised to cover such stocks, and shall be clearly expressed in the first entry in such account. To the account for any class of stocks should be credited when issued the par value of the amount of stock of that class issued. If such issue is for money, that fact shall be stated; and if for any other consideration than money, the person to whom issued shall be designated, and the consideration for which issued shall be described with sufficient particularity to identify it; if such issue is to the treasurer, or other agent of the corporation, to be disposed of by him for the benefit of the corporation, that fact and the name of such agent shall be shown; and such agent shall in his account of the disposition thereof show the like details concerning the consideration realized thereon, which account when accepted by the corporation shall be preserved as a corporate record. If the fair cash value of the consideration realized upon the issue of any amount of stock is greater than the par value of such stock, the excess should be credited to the account "Premiums on Stocks," and corresponding reference thereto shall be contained in the entry relating to such stock in the stock account.

222. CORPORATE SURPLUS.

Under this head should be shown the credit balance, if any, in the "Corporate Surplus of Deficit Account."

FIXED CAPITAL ACCOUNTS.*I. INTANGIBLE FIXED CAPITAL.***101. ORGANIZATION.**

Charge to this account all fees paid to governments for the privilege of incorporation, and all office and other expenditures incident to organizing the corporation or other enterprise and putting it in readiness to do business. This includes cost of preparing and distributing prospectuses, cost of soliciting subscriptions for stock (but not for loans nor for the purchase of bonds or other evidences of indebtedness), cash fees paid to promoters and the actual cash value at the time of organization of securities paid to promoters for their services in organizing the enterprise, counsel fees, cost of preparing and issuing certificates of stock and cost of procuring certificates of necessity from State authorities and other like costs. Like costs incident to preparing and filing certificates of authorization of increase in capital stock, and to the negotiation and issue of stock thereunder, and cost of preparing and filing certificates of amendment of articles of incorporation should also be charged hereunder. This account shall not include any discounts upon stocks or other securities issued, nor shall it include any costs incident to negotiating loans or selling bonds or other evidence of indebtedness.

102. FRANCHISES.

Charge to this account "the amount (exclusive of any tax or annual charge) actually paid to the State or any political sub-division thereof as the consideration of such franchise" (Section III, Paragraph 18 (f), Chapter 195, Laws of 1911). If any such franchise is acquired by mesne assignment, the charge to this account in respect thereof must not exceed the amount actually paid therefor by the corporation to its assignor, nor shall it exceed the amount specified in the statute above quoted. Any excess of the amount actually paid by the corporation over the

amount specified in the statute shall be charged to the account "Other Intangible Capital." If any such franchise has a life of *not more than one year after the date when it is placed in service*, it shall not be charged to this account but to the appropriate accounts in "Operating Expenses," and in "Prepayments," if extending beyond the fiscal year.

NOTE.—Annual or more frequent payments in respect of franchises must not be charged to this account but to the appropriate tax or operating expense account.

103. PATENT RIGHTS.

Charge to this account the cost of all rights (having a life of more than one year from the date when placed in service) acquired by the corporation in or under valid patents granted by the United States to inventors for inventions and discoveries which are necessary to the economical conduct of the corporation's water operations.

104. OTHER INTANGIBLE WATER CAPITAL.

Charge to this account the cost of all other property coming within the definition of intangible capital and devoted to water operations. All entries of charges to this account shall describe the acquired property with sufficient particularity clearly to identify it, and shall also show specifically the principal from whom acquired and all agents representing such principal in the transaction; also the term of life of such property, estimated if not known, and if estimated, the facts upon which the estimate is based.

II. WATER COLLECTING SYSTEM.

Charge to the appropriate accounts hereunder the cost of all land, structures and equipment used in collecting water and conveying it from the place of its collection to the purification or pumping plant, or, in the case of a purely gravity system, to a point, in or out of the municipality, from which water is distributed to consumers.

105. WATER DIVERSION RIGHTS.

This includes the cost of all water diversion rights (as distinguished from water power rights), mean-

ing thereby the cost of acquiring from riparian land owners the right to divert for supply purposes the waters of any stream, and from neighboring land owners the right to draw from ground water sources of supply; also compensation and costs in connection therewith paid for abating, modifying or abandoning causes of allowable pollution of streams and ground waters used for supply; whether such rights are acquired or compensated for in perpetuity or for a definite term of more than one year.

106. RESERVATIONS.

This includes the cost of all land for reservations along sources of supply, and also the cost of all buildings erected thereon and used in connection therewith, as well as all equipment, etc.

107. IMPOUNDING DAMS AND RESERVOIRS.

This includes the cost of the land and all structures thereon used for impounding water for supply purposes at the sources of supply.

108. LAKE AND RIVER CRIBS.

This includes the cost of all land, including lake or river bed, and all structures thereon used for collecting waters for supply purposes.

109. SPRINGS AND WELLS.

This includes the cost of all land and all structures thereon used for collecting water from springs, and of the wells for obtaining ground waters, including the curbing or casing of wells, but not including any equipment for pumping water at wells.

110. INFILTRATION GALLERIES AND TUNNELS.

This includes the cost of the land and rights of way, and all structures thereon and therein, used for collecting waters.

111. COLLECTING CONDUITS AND RESERVOIRS

This includes the cost of the land and rights of way, and all structures thereon and therein, used for collecting waters from various sources and storing in reservoirs ready for purification, pumping or dis-

tributing, or for conveying to the purification or pumping plant, or the distribution system (if a purely gravity system).

112. GRAVITY INTAKES AND SUCTION MAINS.

This includes the cost of all land and rights of way and all structures thereon and therein, used for bringing water by gravity or suction, from the source of supply to the purification or pumping plant.

113. AQUEDUCTS AND SUPPLY MAINS.

This includes the cost of all land and rights of way and all structures thereon and therein, used for bringing water by aqueducts or supply mains, from the source of supply to the purification or pumping plant, or to the distribution system (if a purely gravity system).

III. PURIFICATION SYSTEM.

Charge to the appropriate accounts hereunder the cost of all land structures and equipment used in connection with the purification of water, in conveying water from one part of the purification system to another, including steam or other power plant and pumping equipment when such power plant and pumping plant is used in connection with the delivery of wash water for filter or sand washing, but not including any steam or other power plant and pumping equipment which is used for pumping the water supply from one part of the purification works to another.

114. SETTLING BASINS.

This includes the cost of the land and all structures thereon for the sedimentation of water without coagulation whether such sedimentation is preliminary to supply or a preliminary step in conjunction with the further purification of water by some additional process; also the valves and connections with the succeeding step in the purification process or the mains or other means of conveyance to the pumping plant or the distribution system (if a purely gravity system).

115. COAGULATING BASINS.

This includes the cost of the land and all structures thereon used for the coagulation of water, whether such coagulation is preliminary to supply or a step in conjunction with the further purification by some additional process, or whether used as a step in purification following sedimentation; also the cost of equipment, such as coagulant mixing and storage tanks, orifice boxes and feeder equipment, valves and connections with the succeeding step in the process, or the mains or other means of conveyance to the pumping plant or distribution system (if a purely gravity system), appliances for cleaning out basins, etc.

116. SOFTENING AND IRON REMOVAL PLANT.

This includes the cost of the land and all structures thereon used for the process of water softening and iron removal; also all equipment and appliances connected with and forming a part of the softening or iron removal plant including all connections with the succeeding step in the purification process or the mains or other means of conveyance to the pumping plant or the distribution system (if a purely gravity system), appliances for cleaning out basins, etc.

117. FILTERS.

This includes the cost of the land and all structures thereon used for filtration purposes, whether such filters be "roughing filters," "slow sand filters," or "mechanical" filters; also all equipment and appliances forming a part of such filters, cleaning and sand washing equipment, etc., and all connections with the succeeding step in the purification process or the mains or other means of conveyance to the pumping plant or the distribution system (if a purely gravity system), mechanical and air agitation equipment with the power plant therefor.

118. OZONE STERILIZING AND AERATION PLANT.

This includes the cost of the land and all structures thereon used for the process of water purifica-

tion or treatment by the ozone sterilizing or aeration process, including all equipment or appliances connected or forming a part of the plant, and all connections with the succeeding step in the purification process, or the mains or other means of conveyance to the pumping plant or the distribution system (if a purely gravity system).

119. **CHEMICAL TREATMENT PLANT.**

This includes the cost of the land and all structures thereon used for the chemical treatment of water, whether such treatment is preliminary or subsequent to some further or preceding process of purification or treatment of water by some additional process or whether such chemical treatment is the sole method of treatment of the water supply.

Included here are all buildings, equipment and appliances such as mixing tanks and gravity or pump feed apparatus, basins, if any, and all connections with the next step in the purification process, or the mains or other means of conveyance to the pumping plant or the distribution system (if a purely gravity system).

120. **CLEAR WATER BASINS.**

This account is provided only for the use of companies which employ some system or method of purification, and to it should be charged the cost of the land and all structures thereon used for the storing of water either in process of purification as an intermediate step in the purification system, or as the final storage of purified water ready for delivery to the pumping plant or the distribution system (if a purely gravity plant). This account includes also the cost of equipment and appliances and connections from the clear water-basins to the suction or wet wells for pumping or to the pumps direct, or to the supply or suction main or other means of conveyance to the pumping plant or distribution system.

IV. PUMPING SYSTEM.

Charge to the appropriate accounts hereunder the cost of all land, buildings and equipment used in connection with the pumping of water.

121. PUMPING STATIONS.

This includes the cost of land and all buildings thereon, forming a part of the pumping system, including out-buildings, tool houses, shops, etc., and all appurtenant walks, fences, drives, and all permanently attached fixtures forming a part thereof.

122. STEAM POWER PUMPING EQUIPMENT.

This includes the cost of all steam plant and equipment, and the accessory equipment such as boilers and their settings, stacks and foundations, fuel and ash handling and storage equipment, super-heaters, economizers, damper regulators, and all piping, etc., and other appliances.

123. HYDRAULIC POWER PUMPING EQUIPMENT.

This includes the cost of all land other than that occupied by the pumping station and buildings, together with the cost of all water power rights (as distinguished from water supply diversion rights) and the cost of all structures provided exclusively for the development of hydraulic power, such as dams, headgates, canals, flumes, relief structures, and appurtenant power generating equipment, such as water wheels with control equipment and power transmission equipment from water wheels to pumps and also pumps and pumping equipment, etc.

124. ELECTRIC POWER PUMPING EQUIPMENT.

This includes the cost of all equipment used for pumping water by electric power, whether such power is purchased or generated by the company itself, also the pumps and pumping equipment and all appurtenant equipment and appliances.

125. GAS POWER PUMPING EQUIPMENT.

This includes the cost of all equipment used for pumping water by gas power, whether such power is obtained from purchased gas, or from producer gas plant. Included here are the cost of gas producer plants and apparatus, gas storage and transmission equipment, gas engines, pumps and pump equipment, etc.

126. MISCELLANEOUS PUMPING EQUIPMENT.

This includes the cost of all equipment, apparatus and appliances used in connection with the pumping plant but not properly includable in any of the preceding accounts.

V. DISTRIBUTION SYSTEM.

127. TRANSMISSION MAINS AND ACCESSORIES.

Charge to this account the cost of all land and rights-of-way and of all main pipes and special castings, valves and valve vaults and boxes, etc., belonging to the transmission system and all other accessories to the transmission mains. By transmission mains are meant those which convey water for long distances without having any connections thereto for service therefrom, from the pumping station to the distributing storage reservoir or the distributing system mains. Transmission mains apply only in the case of water works operating pumping stations; in the case of gravity systems these mains would come under the designation of supply or distribution mains.

128. STORAGE RESERVOIRS, TANKS AND STANDPIPES.

Charge to this account the cost of all land, reservoirs, tanks and standpipes with the appurtenant buildings, structures and equipment connected therewith, used for the storage of water preliminary to its distribution for consumption.

129. DISTRIBUTION MAINS AND ACCESSORIES.

Charge to this account the cost of all land and rights-of-way for main pipe lines and the cost of all main pipes and special castings used for distribution of water to customers. (Data as to the length of pipe of each diameter and the date of their installation should be carefully kept.) Also the cost of all gate valves in the distribution mains, together with the boxes over such valves, and the cost of installing the valves and boxes. Also the cost of all special fixtures and appliances connected to the main pipes together with the cost of installing same, such as

regulating valves, air chambers, relief valves, blow-off cocks, flush plugs, etc.

130. SERVICE PIPES AND STOPS.

Charge to this account the cost of material and labor including all other costs and charges incurred in connection therewith; such as permit fees, etc., accruing in the installation of service pipes and stops from main pipes to the customers' premises, when it is the policy of the company that such costs shall be capitalized, and when costs of the services so installed are not borne by the customer, although the company may have full control over the same.

131. METERS, METER BOXES AND VAULTS.

Charge to this account the cost of all meters, meter boxes and meter vaults, together with the cost of their installation, which are furnished on customers' service connections without charge to the company.

132. FIRE HYDRANTS AND FIRE CISTERNS.

Charge to this account the cost of all hydrants and fire cisterns together with the cost of pipe, valves, etc., connecting same with distribution main pipes, and the cost of installing same.

133. FOUNTAINS, TROUGHES, AND OTHER EQUIPMENT.

Charge to this account the cost of all fountains, troughs, and other equipment and appliances for the utilization of the water supply by the general public, together with the cost of their connection and installation, which are installed at the cost of and are owned by the company.

VI. MISCELLANEOUS PROPERTIES.

134. GENERAL STRUCTURES.

Charge to this account the cost of all land, buildings and other structures used for general offices, laboratories, general store-houses, general stable buildings, shops, etc., which are not includable in any of the foregoing accounts; also the cost of all fixtures permanently attached thereto and made a part thereof, such as water pipes and fixtures, steam

pipes and fixtures for warming and ventilating, gas pipes and fixtures for lighting, etc., electric wiring and fixtures for lighting, signaling, etc., elevators, etc., and the engines and motors specially provided for operating them; furnaces, boilers, etc., specially provided for producing steam for such engines and for heating; electric generators specially provided for producing current for lighting such buildings, etc. This account includes such piers and other foundations for machinery and apparatus as are designed to be as permanent as the buildings in (or in connection with) which they are constructed, and to outlast the first machinery or apparatus mounted thereon.

135. GENERAL EQUIPMENT.

Charge to this account the cost of all equipment of general structures, as provided under the following-heads:

a. *General Office Equipment*: This includes the cost of all equipment of general offices, such as desks, chairs, tables, movable safes, filing cases, drafting-room equipment, and other like office appliances and equipment; also engineering instruments.

b. *General Shop Equipment*: This includes the cost of all equipment specially provided for general shops, such as furnaces, boilers, gas producers, engines, electric generators, and other power apparatus used in operating machinery in such shops; machine tools, cranes, hoists, shafting, belts, and the like shop equipment; also such smithing equipment in general shops as is used principally for other general purposes than shoeing horses and repairing vehicles.

NOTE.—Hand and other small portable tools liable to be lost or stolen should not be included herein, but portable tools and apparatus of special value may be charged to this account and remain therein so long as record is kept of the persons to whom such tools and apparatus are issued and such persons are made responsible therefor.

c. *General Store Equipment*: This includes the cost of all equipment of general store structures,

such as movable counters, movable shelving, and other movable equipment of like nature, carts, barrows, trucks, etc., and other apparatus and appliances used in handling materials and supplies.

NOTE.—Counters, shelving, and the like, which are permanently attached to the structure should be charged to account No. 134, "General Structures," and not to this account.

d. *General Stable Equipment*: This includes the cost of all equipment of general stables, including horses, harness, drays, wagons, automobiles, and other vehicles, equipment of shoeing shops, harness repair shops, vehicle repair shops, etc.

136. OTHER TANGIBLE WATER CAPITAL.

Charge to this account the cost of all tangible property devoted to water operations not elsewhere provided for.

VII. MISCELLANEOUS CONSTRUCTION EXPENDITURES.

137. ENGINEERING AND SUPERINTENDENCE.

Charge to this account all expenditures for services of engineers, draftsmen and superintendents employed on preliminary and construction work and all expenses incident to the work, when such disbursements can not be assigned to specific construction.

NOTE.—When employees enumerated above are engaged in work not chargeable to construction, their pay and expenses should be charged to the specific work on which engaged.

138. LAW EXPENDITURES DURING CONSTRUCTION.

Charge to this account general expenditures of the following nature incurred in connection with the construction of a water works; namely, the pay and expenses of all counsel, solicitors, and attorneys, their clerks and attendants, and expenses of their offices; printing briefs, legal forms, testimony, reports, etc.; payments to arbitrators for the settlement of disputed questions; cost of suits and payments of special fees, notarial fees, and witness fees; and expenses con-

nected with taking depositions; also all legal and court expenses.

When any of the expenditures above enumerated can be charged directly to the account for which incurred, they should be so charged and not to this account. Law expenditures in connection with the organization of the corporation should be charged to account No. 101, "Organization."

139. INJURIES DURING CONSTRUCTION.

Charge to this account all expenditures incident to injuries to persons when caused directly in connection with construction of water plant and equipment; proportion of salaries and expenses of physicians and surgeons; nursing and hospital attendance, medical and surgical supplies, artificial limbs, railroad and carriage fares for conveying injured persons and attendants; funeral expenses (including payments to undertakers); proportion of pay and expenses of claim adjusters and their clerks, and pay and expenses of employees and others called in consultation in relation to the adjustment of claims coming under this head; witness fees and amount of final judgments; also cost of liability insurance applicable to construction.

140. TAXES DURING CONSTRUCTION.

Charge to this account all taxes and assessments levied and paid on property belonging to the corporation while under construction and before the plant is opened for commercial operation, except special taxes assessed for street and other improvements, such as grading, sewerage, curbing, guttering, paving, sidewalks, etc., which should be charged to the account to which the property benefited is charged.

141. MISCELLANEOUS CONSTRUCTION EXPENDITURES.

This account includes the salaries and expenses of executive and general officers of a water works under construction; clerks in general offices engaged on construction accounts or work; rent and repair of gen-

eral offices when rented, and office expenses; insurance during construction other than liability insurance; also all construction and equipment items of a special and incidental nature which cannot properly be charged to any other account in this classification.

NOTE A.—This account may include a suitable proportion of store expenses when such expenses are not assignable to specific materials.

NOTE B.—This account should not include any costs of organization, or any costs or discounts connected with the issue and disposal of stocks, funded debt, or other securities, and commercial paper.

142. INTEREST DURING CONSTRUCTION.

This account includes the interest accrued upon all moneys, and credits available upon demand, acquired for use in connection with the construction and equipment of the property from the time of acquisition until the construction is ready for use. Interest receivable accrued upon such moneys and credits should be credited to this account. To this account should also be credited discounts realized through prompt payment of bills for materials and supplies used in construction, unless such discounts are credited to the particular bills.

SCHEDULE B.

INCOME ACCOUNT.

1. Income and Indicant Accounts Compared. — A comparison of the balances in the foregoing accounts (Schedule A) at any particular time will, if the accounts have been properly kept, show the then existing condition of a corporation's affairs, so far as such condition can be shown through the accounts. The group of accounts just defined is sometimes called the *Balance Sheet* or *Indicant* accounts. Their balances indicate the condition of the corporation at any particular time. These accounts, with their subsidiary accounts, are all that are necessary prior to the time when the corporation becomes what may be called a "going concern."

When a corporation begins operations it requires an additional group of accounts in which to classify in convenient form the accounting history of the various changes it undergoes. Such group of accounts brings together or accumulates the account of the various incidents of the corporation's history. This group of accounts may be called the *Income* account. They are made up usually on a yearly basis and are closed into one grand account, called "Corporate Surplus or Deficit," which ties together this group of accounts and the preceding group. The following are the accounts which make up the income account statement:

300. OPERATING REVENUES.

This account includes the total operating revenues for the period covered by the income account statement. For the primary revenue accounts, see pages 50, 51.

400. OPERATING REVENUE DEDUCTIONS.

This account includes the total operating expenses and revenue deductions for the period covered by the income account statement. For the primary operating expense and revenue deduction accounts see pages 53-65.

2. Non-Operating Revenues Defined. — By Non-Operating Revenues are meant those derived as a return upon

the property of the accounting person or corporation in the hands of others or from its interests in property in the hands of others. For such revenues are provided the following accounts:

501. RENTS ACCRUED FROM LEASE OF WATER PLANT.

Credit to this account monthly or quarterly, as they accrue, all revenues from the accounting person's or corporation's interests in water plant or equipment held by others under some form of lease whereby it surrenders possession of such property. This account contemplates that the *taxes* on property so held are *payable by the tenant in possession* and charged by him to the appropriate tax account. If under the contract of lease such taxes are payable by the lessor or its assignee, such taxes should be charged to this revenue account and not to any of the lessor's tax accounts nor to any of its expense accounts.

502. MISCELLANEOUS RENT REVENUES.

Credit to this account monthly or quarterly, as they accrue, all miscellaneous rent revenues from lease of property other than water plant or equipment. Such revenues should be classified as follows:

(a) LEASEHOLD REVENUES: All revenues from any lease the entire term of which is greater than one year. This account contemplates that the taxes on property so leased are payable by the lessee and are charged by him to the appropriate tax account. If under the contract of lease such taxes are payable by the lessor or its assignee, they should be charged to this revenue account, and not to any of the lessor's tax or expense accounts.

(b) OTHER RENT REVENUES: All revenues from any lease or contract the entire term of which does not exceed one year, or which is held at will or upon sufferance. This account contemplates that the tax on property so leased are payable by the landlord and are charged by him to the appropriate tax account. If under the contract of lease the taxes are payable by the tenant, the amount of such taxes

should be credited to this account as they accrue, and should correspondingly be charged to the appropriate tax account.

503. INTEREST REVENUES.

Credit to this account as they accrue all:

(a) INTEREST FROM INVESTMENTS: All interest accruing to the corporation on such of its interest-bearing investments (as hereinbefore defined) as are liabilities of solvent concerns and individuals.

(b) INTEREST FROM OTHER SOURCES: All interest accruing to the corporation upon its interest-bearing current assets, special deposits, and all other assets not provided for under the foregoing sub-head, where such interest is a liability, actual or contingent, of solvent concerns and individuals.

NOTE.—Entries in this account must be made in such wise as to show separately the classes above indicated, which will be required to be stated separately in the annual reports to the Board of Public Utility Commissioners.

504. DIVIDEND REVENUES.

Credit to this account at their cash value, and as of date when collectible, dividends declared by solvent concerns on stocks held by the accounting corporation among its investments.

505. MISCELLANEOUS NON-OPERATING REVENUES.

Credit to this account all non-operating revenues accruing to the company and not provided for in any of the foregoing accounts.

506. NON-OPERATING REVENUE DEDUCTIONS.

Charge to this account all matters provided for under the following sub-accounts:

(a) RENT EXPENSE: This sub-account includes all expense arising in connection with the procuring of revenues from property let out to others, including the cost of negotiating contracts, advertising for tenants, fees paid conveyancers, collector's commissions, cost of enforcing payment of rent, cost of ousting tenants, etc., and all other expense arising in connection with such property. This applies only to leases

conveying the property out of the possession of the corporation, and it includes the expense accruing while the property is idle and awaiting an occupant. This sub-account includes cost of maintenance of the property when such cost is borne by the corporation. Such maintenance includes depreciation as well as repairable wear and tear. It does not include taxes.

(b) **INTEREST EXPENSE:** This sub-account includes all expense arising in connection with procuring interest upon investments, such as expense of collection, expense of investigating delay in payment, expense of enforcing payment, and the like. It does not include taxes on such investments.

(c) **DIVIDEND EXPENSE:** This sub-account includes all expense arising in connection with the collection of dividends on stock of other corporations; also all expense incurred in the investigation of the affairs of the corporation whose stocks are held, whether for the purpose of detecting mismanagement or for the purpose of inducing the declaration of dividends, and all expense connected with enforcing payment of dividends when declared. It does not include taxes on such investments.

(d) **MISCELLANEOUS NON-OPERATING EXPENSE:** This sub-account includes all non-operating expense which is not provided for in the foregoing sub-accounts.

(e) **NON-OPERATING TAXES:** This sub-account includes all taxes accruing upon non-operating property and all assignable to non-operating revenues.

(f) **UNCOLLECTIBLE NON-OPERATING REVENUES:** When any non-operating revenues are judged by the corporation to be uncollectible, the amount thereof should be credited to the account in which theretofore carried and charged to this sub-account.

NOTE.—In annual reports of corporations to the Board of Public Utility Commissioners this account will be required to be fully analyzed.

3. **Income Deductions Defined.**—The sum total of the credit balances in the revenue accounts for any particular operation at the close of a fiscal period gives the gross revenue from that operation for that pe-

riod. This gross revenue diminished by operating expenses, taxes and uncollectible bills assignable to such operation for that period gives the income from that operation for the period. Similarly, for non-operating revenues, the non-operating expenses and non-operating taxes. The aggregate of the income from the several operations and the non-operating income is the gross income applicable to corporate and leased properties. Gross income is ordinarily subject to various compulsory deductions, mostly contractual, which are hereinafter called *Income Deductions*.

511. INTEREST ACCRUED ON FUNDED DEBT.

Charge to this account monthly or quarterly all interest accrued on outstanding funded debt issued or assumed by the company, and credit the amount so charged to account No 204, "Interest Accrued." This account does not include interest on securities held by the company in its treasury, in sinking or other reserve funds or pledged as collateral.

512. OTHER INTEREST DEDUCTIONS.

Charge to this account monthly or quarterly all interest accrued on receiver's certificates and on all interest-bearing unfunded obligations of the company.

513. RENT FOR LEASE OF OTHER WATER PLANT AND EQUIPMENT.

Charge to this account all amounts accrued against the accounting person or corporation for rent of water plant and equipment which it holds under some form of lease from another company or corporation and of which it has the exclusive possession.

Taxes accrued on such plant and equipment should not be charged to this account, but to the appropriate Taxes account. If under the contract of lease such taxes are payable by the lessor or reversioner, they should be credited to this account and charged to the appropriate Taxes account. When paid by the lessor or reversioner, they should be charged to its rent revenue account, and not to its Taxes account, to the end that taxes upon such plant and equipment may be reported by the corporation in possession.

514. MISCELLANEOUS RENT DEDUCTIONS.

Charge to this account the matters provided for in the following sub-accounts:

(a) **JOINT FACILITY RENTS:** When any plant or equipment is maintained or operated by another corporation for the joint benefit of the accounting corporation and others under a joint arrangement for sharing the expense (on the basis of the relative amounts of benefit to the several participants), if such joint arrangement provides for including in the charge against the accounting corporation any pure rent, profit, or return upon such plant or equipment over and above depreciation and other expense of maintenance and operation, such pure rent, or profit, or return upon property shall be charged to this sub-account.

(b) **MISCELLANEOUS RENT DEDUCTIONS:** This sub-account includes all miscellaneous rents payable not elsewhere provided for.

515. MISCELLANEOUS DEDUCTIONS FROM INCOME.

Charge to this account monthly or quarterly all matters provided for under the following heads:

SINKING FUND ACCRUALS: This head includes all accruals required to be made to sinking funds in accordance with the provisions of mortgages or other contracts requiring the establishment of sinking funds. All accruals to sinking or other funds created voluntarily by the corporation and not in pursuance of the provisions of any mortgage or other contract or of the requirements of law shall be excluded herefrom.

GUARANTIES OF PERIODIC PAYMENTS: This head includes all unsecured accruals of obligations arising under contracts whereby the corporation has guaranteed *the annual or more frequent periodic* payment of money or performance of other obligation on the part of another corporation or person, and because of the default or such other corporation or person the liability of the present corporation has become actual. This sub-account does not include such matters as guaranties of payment of *principal* of funded debt

and other similar things relating to a series of years, nor does it include any guaranties for which the corporation has protected itself through taking ample security. If insufficient security has been taken in respect of such annual or more frequent payments, the *unsecured portion* thereof shall be charged hereunder.

LOSS ON OPERATIONS OF OTHERS: Whenever in accordance with the terms of any contract the corporation is bound to contribute toward reimbursement of the losses resulting from the operations of others, all liabilities accruing to the corporation from such source shall be charged hereunder.

OTHER CONTRACTUAL DEDUCTIONS FROM INCOME: This head includes all contractual liabilities arising from annual or other more frequent periodic matters and not includable under any of the foregoing heads. This sub-account includes only deductions from income, and not any liabilities arising in exchange for goods or other things purchased.

NOTE.—A complete analysis of this account will be required in the annual reports to the Board of Public Utility Commissioners.

516. AMORTIZATION DEDUCTIONS.

Charge to this account in accordance with the following directions:

AMORTIZATION OF LANDED CAPITAL: Under this head charge to this account at the close of any fiscal period such proportion of the original money cost (estimated, if not known) of landed capital as is necessary to cover the proportion of the life thereof expired during such period.

NOTE A.—The amounts charged to this account under this head shall be concurrently credited to account No. 216, "Accrued Amortization of Capital."

NOTE B.—When any landed capital expires or is otherwise retired from service (as e.g., through sale), the capital account or other indicant account (if any) originally charged therewith shall be credited with the amount originally charged, and this amount, less the proceeds of sale (if any), should be charged to account No. 215, "Accrued Amortization of Capital," any necessary adjusting entry being made to an appropriate sub-account under the account, "Corporate Surplus or Deficit."

AMORTIZATION OF DEBT DISCOUNT AND EXPENSE: Under this head charge to this account at or before the close of any fiscal period that proportion of the unamortized discount and debt expense on outstanding debt which is applicable to the period. This proportion shall be determined according to a rule, the uniform application of which during the interval between the issue and the maturity of any debt will completely amortize or wipe out the discount at which such debt was issued and the debt expense connected therewith.

AMORTIZATION OF PREMIUM ON DEBT—Cr.: Under this head credit to the account at or after the close of any fiscal period the proportion of the premium at which outstanding debt was issued which is applicable to the period. This proportion shall be determined according to a rule the uniform application of which during the interval between the issue and the maturity of any debt will completely amortize or wipe out the premium at which such debt was issued.

4. **Appropriation Accounts Defined.**—The balance resulting from closing the foregoing income deduction accounts for any fiscal period into Gross Income for that period gives the Net Income for the period, which should be closed into "Corporate Surplus or Deficit" account. The group of accounts which show for any fiscal period the changes in the corporate surplus are designated the "Appropriation Accounts," for the reason that substantially all of them are subject only to the discretion of the corporation. At the end of each fiscal period the several "Appropriation Accounts" should be closed into the "Corporate Surplus or Deficit" account.

521. BAD DEBTS COLLECTED.

When any debt theretofore written off as a bad debt is collected, the amount of the collection shall be credited to this account. Expense involved in such collection shall be charged to this account.

NOTE.—Such "uncollectible bills" as are provided for under account No. 423 should not be included in this account.

522. OTHER ADDITIONS TO SURPLUS.

Credit to this account all additions to surplus because of erroneous accounting in prior fiscal periods, and all other additions to surplus not elsewhere provided for.

523. EXPENSES ELSEWHERE UNPROVIDED FOR.

Charge to this account all expenses not chargeable as a part of operating expenses or of non-operating expenses, such as fines levied on the corporation for violation of law, for misfeasance, for non-feasance, etc., fines levied on directors, officers and other employees and assumed by the corporation, donations to funds, to churches and other associations, and other like expenses and outgoes.

524. DIVIDENDS ON OUTSTANDING STOCKS.

When any dividend is declared upon any outstanding stocks of the corporation the amount of such dividend shall thereupon be charged to this account. All entries to this account shall show the amount of stock upon which the dividend is declared, the class of such stock, and the rate of the dividend, as well as the amount thereof; and if the dividend is payable in any other thing than money, such thing shall be described in the entry with sufficient particularity to identify it, and the actual money value thereof shall be stated as the amount of the dividend.

When any dividend is declared upon the stocks of the corporation held in its treasury, the amount of such dividend thereon shall be credited to this account. Entries of credits to this account shall be made with the same degree of particularity as is prescribed in the preceding paragraph.

525. MISCELLANEOUS APPROPRIATIONS.

Charge to this account monthly or quarterly all matters provided for under the following heads:

AMORTIZATION ELSEWHERE UNPROVIDED FOR: This head includes such amortization as is not elsewhere provided for. This sub-account provides for all optional amortization, such as that of discount on stocks outstanding, abandoned property, etc.

APPROPRIATIONS TO RESERVES: This head includes all optional appropriations to reserves.

GIFTS TO CONTROLLED CORPORATIONS: This head includes all gifts made by the corporation to its controlled corporations; also such portions of all advances thereto as are not carried as assets.

OTHER APPROPRIATIONS: This head includes all optional appropriations made by the corporation and not elsewhere provided for.

526. BAD DEBTS WRITTEN OFF.

Charge to this account the amount by which debts are written off from the accounts of the corporation when they become stale and are placed in the "bad debt" class.

NOTE.—Such uncollectible bills as are provided for under account No. 423 should not be included in this account.

527. OTHER DEDUCTIONS FROM SURPLUS.

Charge to this account all deductions from surplus because of erroneous accounting in prior fiscal periods, and all other deductions from surplus not elsewhere provided for.

NOTE.—A complete analysis of this account will be required in the annual reports of corporations to the Board of Public Utility Commissioners.

OPERATING REVENUE ACCOUNTS.

Operating Revenues Defined.—By operating revenues are meant all amounts of money which the company or municipality receives or becomes lawfully entitled to recover for services rendered, for products sold, or as a return upon property used by the company or municipality in its own operations. Credits to the various revenue accounts should be made upon the basis of bills rendered or of gross prices. Discounts for prompt payment, corrections of overcharges, overcollections theretofore credited and afterward corrected, authorized abatements and allowances, and other corrections and deductions shall be charged to the revenue account to which they relate.

301. METERED PRIVATE SERVICE.

Credit to this account all revenues accruing to the company or municipality for water supplied through meters to all regular private consumers.

302. UNMETERED PRIVATE SERVICE.

Credit to this account all revenues accruing to the corporation or municipality for water furnished at flat or fixture rates to all regular private consumers.

303. SERVICE TO OTHER WATER SUPPLY SYSTEMS.

Credit to this account all revenues accruing to the company or municipality for water furnished to other water supply systems, whether operated by a municipality or by a private corporation or individual.

304. MUNICIPAL WATER SERVICE.

Credit to this account all revenues accruing to the company or municipality for water supplied for municipal purposes, such as fire protection, sewer flushing, street sprinkling, and also all water supplied to public buildings, public parks, fountains, troughs, etc.

Water furnished for municipal purposes by muni-

cipal water systems, whether or not any revenues are collected therefor, should be credited to this account, and in case no revenues are collected, the amount so credited should be charged to account No. 525, "Miscellaneous Appropriations."

305. MISCELLANEOUS WATER SERVICE.

Credit to this account all revenues accruing to the company or municipality for water furnished to builders or street paving contractors, to circuses and to those using water for a limited period of time without permanent service connection, and for all other water service not elsewhere provided for.

306. MISCELLANEOUS OPERATING REVENUES.

Credit to this account all revenues accruing to the company or municipality for services rendered in connection with water operations, other than supplying water, such as fees for shutting off and turning on water, tapping mains, etc.

OPERATING EXPENSE ACCOUNTS.

1. **Operating Expenses Defined.**—By operating expenses are meant such expenses as are necessary to the maintenance of the corporate organization, the rendering of services required or authorized by law, the sale of merchandise, the production (including herein property consumed) and disposition of the commodities produced, and to the collection of the revenues therefor. Expenses directly incident to the collection of non-operating revenues and the maintenance of the property from which non-operating revenues are derived should be excluded from operating expenses.
2. **Definitions of Certain Terms Used in Connection with Expense Accounts.**—Except where some other meaning is clearly specified in the definitions of the accounts, the following words, wherever used hereunder, have the meaning below stated:

Cost means cash or money cost, and not price based on a term of credit.

Labor means human services of whatever character.

Cost of labor includes wages, salaries, and fees paid to persons for their services.

Cost of materials and supplies includes all specifically assignable transportation charges incurred in obtaining the delivery of such materials and supplies upon the premises of the purchaser, and cost of any special tests made thereon prior to their acceptance; and in case the accounting person or corporation desires, it may include a suitable proportion of store expenses (when the materials and supplies are passed through stores) and the cost of further transportation to the place of consumption, and a suitable proportion of the expenses of the purchasing department, in which case a corresponding credit should be made to the suitable expense account as hereinafter provided.

Cost of repairs, when made by the accounting person or corporation, includes cost of labor expended and material consumed, less salvage, if any. By re-

pairs are meant the replacement of some part or parts of any structure, facility, or unit of equipment, the extent of which replacement does not amount to a substantial change of identity in such structure, facility, or unit of equipment. Replacements of the latter sort are to be excluded from operating expenses and charged to the appropriate fixed capital accounts, the cost of the item replaced being credited thereto.

The accounts for operating expenses, or what may be termed "Water Service Expenses," are arranged in three groups or sub-divisions: Water Supply Expenses, Maintenance Expenses, and General and Miscellaneous Expenses.

I. *Water Supply Expenses* are those which represent the costs of materials and services other than those for repairs, which are directly connected with the collection, purification, pumping and distribution of water.

II. *Maintenance Expenses* are those which represent the costs of services and materials incident to the repair of the properties devoted to water service operations, and the losses arising from the depreciation of those properties.

III. *General and Miscellaneous Expenses* include all costs which are incident to the general management of the water works as a business enterprise, and those relating to the business as a whole, which are not elsewhere provided for.

I. WATER SUPPLY EXPENSES.

401. COLLECTING SYSTEM EXPENSES.

Charge to this account the operating costs or expenses of, or connected directly with, the several parts of the entire water supply system which are included in accounts Nos. 105-113. This includes all wages and expenses for inspecting and policing, caretakers and other employees, but does not include repairs.

Also charge to this account the cost of all water purchased to be distributed by the accounting person or corporation to its consumers.

This account may, if desired, be further classified

under the following headings, which shall be the titles of sub-accounts set up hereunder:

- (a) Water Purchased.
- (b) Reservation and Drainage Area.
- (c) Impounding Dams and Reservoirs.
- (d) Lake and River Cribs.
- (e) Springs and Wells.
- (f) Infiltration Galleries and Tunnels.
- (g) Collecting Conduits and Reservoirs.
- (h) Gravity Intakes and Suction Mains.
- (i) Aqueducts and Supply Mains.

402. PURIFICATION SYSTEM EXPENSES.

Charge to this account all expenses or costs incident to the purification of water. These expenses include the wages of men employed at the purification works, their personal and incidental expenses, the expenses of running the works, including the cost of chemicals and supplies, labor for cleaning basins and works, removing ice, scraping and cleaning purification apparatus, heating, lighting, etc.

This account may, if desired, be further classified under the following headings, which shall be the titles of sub-accounts set up hereunder:

- (a) Sedimentation and Coagulation.
- (b) Softening and Iron Removal.
- (c) Filtration.
- (d) Chemical Treatment.
- (e) Clear Water Basins.

403. PUMPING SYSTEM EXPENSES.

Charge to the appropriate sub-accounts hereunder the expenses of pumping water and of running that part of the water works system which is included in accounts Nos. 121-126. These expenses include the salaries and wages, personal expenses of pumping station employees, fuel, water power, electric power, electric lighting, gas for power and lighting, janitor service, oil, waste, supplies, etc.

a. *Operating labor.* This includes the pay and expenses of the superintendent of the pumping plant, foremen and all laborers employed in oper-

ating the pumping station equipment. This includes such labor as that of chief engineer and assistants, engineers, oilers, wipers, and all other employees whose duties concern the operation of the pumping equipment. Also charge to this account the salaries of the engineering staff assignable to the pumping system. Exclude from this account all maintenance labor, which is elsewhere provided for.

b. *Fuel.* This includes the cost of fuel, whether coal or oil, used under the boilers for the generation of steam, and the cost of fuel used for generating producer gas. Such cost should include all specifically assignable transportation charges incurred in obtaining the delivery of the fuel on the premises of the purchaser.

c. *Power Purchased.* This includes the cost of all steam, electric current, or water power purchased for the purpose of operating the pumping equipment.

d. *Miscellaneous Supplies and Expenses.* This includes the cost of all supplies and expenses incurred in operating the pumping plant not provided for in the three preceding sub-accounts, such as water used in boilers, oil and waste, etc.

404. DISTRIBUTION EXPENSES.

Charge to this account the cost of inspecting, guarding and caring for the transmission mains and accessories, storage reservoirs, tanks and standpipes, the cost of inspecting, testing and caring for the distribution mains and accessories, service pipes, meters, etc., and all other expenses in connection with the transmission and distribution of water, except the cost of repairs.

This account may, if desired, be further classified under the following headings, which shall be the titles of the special accounts set up hereunder:

- (a) Transmission Mains and Accessories.
- (b) Storage Reservoirs, Tanks and Standpipes.
- (c) Distribution Mains and Accessories.
- (d) Service Pipes and Stops.

- (e) Meters, Meter Boxes and Vaults.
- (f) Fire Hydrants and Cisterns.
- (g) Fountains, Troughs and Other Equipment.

II. MAINTENANCE EXPENSES.

405. REPAIRS OF WATER COLLECTING SYSTEM.

Charge to this account the cost of all labor employed and materials consumed in making repairs to the water collecting system. This includes repairs to lake and river cribs, springs and wells, including the removal of sand and corroded material and repairs to well casings, repairs to filter galleries, etc.; repairs to impounding dams and reservoirs, collecting aqueducts, intakes and supply mains. This includes the periodical scraping to remove organic growth and incrustation, repairs to masonry of aqueducts and channels, seeking and repairing leaks, repairing piping and replacing worn sections and fittings, calking, protecting exposed parts of undermined supply mains, changing the position of or replacing such mains with the necessary bracing or digging; repaving and repairs to valves, screens and wet wells; repairs and renewals of grating, fish screens and repairs to submerged and exposed cribs, intake towers and other structures, sluice gates, etc.

406. REPAIRS OF PURIFICATION SYSTEM.

Charge to this account the cost of all labor employed and materials consumed in making repairs to the purification system. This includes repairs to settling basins, renewing and washing sand, and repairs to all equipment used in the purification of water by plain sedimentation, sedimentation with coagulation, treatment for softening and removal of iron, algae, etc., purification by slow and rapid sand filtration, repairs to mechanical filters, etc.

407. REPAIRS OF PUMPING SYSTEM.

Charge to this account the cost of all labor employed and materials consumed in making repairs to the pumping system. This includes repairs to all buildings, fixtures and apparatus used in connection with

the pumping of water, such as furnaces, boilers, engines, pumps, etc., and all appurtenant equipment and appliances. This account may, if desired, be divided into sub-accounts corresponding with accounts Nos. 121-126.

408. REPAIRS OF DISTRIBUTION SYSTEM.

Charge to this account all matters provided for under the following heads, which may, if desired, be carried as sub-accounts hereunder.

(a) *Repairs of Transmission Mains and Accessories.*—This includes the cost of repairing, overhauling, changing position of or replacing transmission mains and accessories. It also covers such items as seeking and repairing leaks, repairing pipes and removing and replacing worn sections and fittings, calking, protecting exposed parts of undermined mains, digging and bracing in connection with such work, repaving and repairing manholes, etc., together with all materials and supplies consumed in thawing pipes and scraping to remove incrustations.

(b) *Repairs of Storage Reservoirs, Tanks and Standpipes.*—This includes repairs to masonry and linings due to settlement of underlying material, frost action, or from other causes; calking and repairing with cement grouting, asphalt or other waterproof material; painting and calking standpipes and tanks, replacing parts on account of decay or excessive corrosion or electrolysis, and replacement of hoops, repairs to valves, etc.

(c) *Repairs of Distribution Mains and Accessories.*—This includes the cost of repairing, overhauling, changing position of or replacing distribution mains and accessories. It also covers such items as seeking and repairing leaks, repairing pipes or removing and replacing worn sections and fittings, calking, protecting exposed parts of undermined mains, digging and bracing in connection with such work, repaving, repairing manholes, and the cost of steam, electricity and other supplies

used and expenses incurred in thawing such mains and removing incrustations.

(d) *Repairs of Service Pipes and Stops.*—This includes the cost of repairing, overhauling and changing position of water service connections, including such expenses as seeking and repairing leaks, cleaning and scraping out service pipes; repairing and renewing service pipe connections to meters, including stop cocks, service boxes and the cost of repairing the same. Also include hereunder the cost of changing and extending old service pipes to put meter in better location, and the expense for materials and supplies incurred in thawing services.

(e) *Repairs of Meters, Meter Boxes and Vaults.*—This includes readjusting, painting, replacing worn gears, wearing parts and dials, testing and repairing old meters, repairing and replacing connections, meter fittings, etc., meter unions and cocks and changing meters for routine tests, etc.

(f) *Repairs of Fire Hydrants and Cisterns.*—This includes repairs and renewals of parts, including digging and filling in connection with such repairs, painting hydrants, replacing worn fittings, protecting exposed parts of undermined hydrants and connections, and changing location of hydrants; repairs of masonry and lining of fire cisterns due to settlement of underlying material, frost action or from other causes, calking and repairing with cement grouting, asphalt or other waterproof material, replacing worn parts due to decay or other causes and repairs and renewals of connecting piping and fittings.

(g) *Repairs of Fountains, Troughs and Other Equipment.*—This includes the cost of repairs and renewals of parts, painting, repairing foundations and settings, connections, etc.; overhauling and changing position of fountains, troughs, and other equipment of the distribution system not above provided for.

409. GENERAL REPAIRS.

Charge to this account the cost of all labor employed and materials consumed in making repairs to general structures and general equipment, such as general offices, general storehouses, general stable buildings, shops, etc., and all equipment connected therewith (for details of which see account No. 135).

410. GENERAL AMORTIZATION.

Charge to this account monthly or quarterly the amount estimated to be necessary to cover such wear and tear and obsolescence and inadequacy as have accrued during the period in the tangible fixed capital of the corporation or municipality devoted to water service operations, such portion of the life of intangible fixed capital as has expired or been consumed during the period, and the amount estimated to be necessary to provide a reserve to cover the cost of property destroyed by extraordinary casualties; less the amounts charged during the period to the above repair accounts. The amount charged to this account should be concurrently credited to the reserve account "Accrued Amortization of Capital."

NOTE.—Until otherwise prescribed, the "amount estimated to be necessary to cover such wear and tear and obsolescence and inadequacy as have accrued during" any month shall be based on a rule to be determined by the accounting corporation. Such rule may be derived from consideration of the said corporation's history and experience. A general statement of the rule in use by each company, together with the general information upon which it is based, is to be filed with the Board of Public Utility Commissioners.

III. GENERAL AND MISCELLANEOUS EXPENSES.

411. ADMINISTRATION EXPENSES.

Charge to this account all matters provided for under the following heads:

(a) *Salaries and Expenses of General Officers.*

—This head includes the salaries, traveling and incidental expenses of all general officers, such as president, vice-president, treasurer, secretary, comptroller, general auditor, general manager, assistant general manager, chief engin-

eer, general superintendent, and all other officers whose jurisdiction extends to the entire system and whose services cannot be satisfactorily allocated to the several departments.

(b) *Salaries and Expenses of General Office Clerks.*—This head includes the salaries and expenses of all clerks and assistants connected with the general office, except such as may be directly engaged in other departments, in which case their compensation should be charged to such department directly.

(c) *General Office Supplies and Expenses.*—This head includes the cost of all general office supplies, such as general administrative stationery, printing, postage, etc., wages of janitors, porters, and messengers; rent of rooms in office buildings and all other miscellaneous expenses of general offices.

412. ACCOUNTING AND COMMERCIAL EXPENSES.

Charge to this account all matters provided for under the following heads:

a. *Salaries and Expenses of Accounting and Commercial Employees.*—This head includes the salaries and expenses of meter readers, employees engaged in delivering bills for water, bookkeepers and all clerks having to do with consumers' accounts.

b. *Accounting and Commercial Office Supplies and Expenses.*—This head includes the cost of all office supplies in the commercial department, such as stationery, printing, postage, etc., rent of office rooms, and all other incidental expenses of the commercial office.

NOTE.—In the case of small companies, where the commercial and general offices are combined in one and there are no regular employees who devote all their time to commercial work, account No. 412 may be consolidated with account No. 411, and all office expenses included under one head, and the cost of meter reading and delivering bills when done by employees of the distribution department included under account No. 404, "Distribution Expenses."

413. BUSINESS PROMOTION EXPENSES.

Charge to this account all expenses incurred for the purpose of promoting and extending the water service business of the accounting person or corporation. This includes advertising, canvassing and soliciting, demonstrations, etc., and all expenses connected therewith.

414. LEGAL EXPENSES.

Charge to this account all law expenses except those incurred in the defense and settlement of damage claims. This includes salaries and expenses of all counsel, solicitors and attorneys, their clerks and attendants, and expenses of their offices; cost of law books, printing briefs, legal forms, testimony, and payments of special, notarial, and witness fees not provided for elsewhere; expenses connected with taking depositions, and all law and court expenses not provided for elsewhere.

NOTE.—The compensation of the general solicitor or counsel or other attorneys engaged partly in the defense or settlement of damage suits and partly in other legal work, should be properly apportioned between this account and account No. 415, "Injuries and Damages."

415. INJURIES AND DAMAGES.

Charge to this account all expenses on account of persons killed or injured and property damaged (other than that owned by the company or municipality) in connection with the operation of the water works. This includes judgments for damages and plaintiff's court costs; salaries, fees, and expenses of surgeons, and doctors; nursing, hospital attendance, medical and surgical supplies; fees and expenses of coroners and undertakers; annual contributions to hospitals; transportation of injured persons; and wages and salaries paid to employees while disabled. Also charge to this account the salaries and expenses of the company's claim agents, adjusters, and their assistants; the compensation of the general solicitor or counsel and other attorneys while engaged in the defense and settlement of damage suits, and all other legal expenses incurred on account of injuries and damages.

NOTE.—If it is desired that the charge to operating expenses on account of injuries and damages shall be upon some arbitrary basis, the amount so charged should be credited to account No. 219, "Casualty and Insurance Reserve," and the actual disbursements above enumerated should be charged against such reserve account.

416. INSURANCE.

Charge to this account premiums paid to insurance companies for fire, casualty, boiler, fidelity, burglar and all other insurance; also amounts set aside as an insurance reserve.

417. RELIEF DEPARTMENT AND PENSIONS.

Charge to this account all salaries and expenses incurred in connection with conducting a relief department; contributions made to such department; pensions paid to retired employees and all expenses in connection therewith.

418. WATER FRANCHISE REQUIREMENTS.

This account includes the cost of water and other materials and supplies furnished to municipal corporations in compliance with franchise requirements, for which no payment is received; also the direct expense of paving, etc., incurred in compliance with such requirements, for which no reimbursement is received. Amounts charged to this account for which there is no direct money outlay should be credited to "Duplicate Water Charges—Cr.," under account 420, "Miscellaneous Adjustments—Balance."

419. STORE AND STABLE EXPENSES.

Charge to this account all matters provided for under the following sub-accounts:

a. *Store Expenses*: This account includes all salaries and expenses in connection with store rooms, including cost of sending materials and supplies from general storerooms to branch storerooms, and the collection of scrap material.

b. *Stable Expenses*: This account includes the cost of feed, keep, and shoeing of horses, wages of stablemen and hostlers, veterinary expenses, and all other expenses of stabling horses; also the

cost of repairing harness and vehicles. Also include under this head all automobile and garage expenses.

NOTE.—Account No. 419 may, if desired, be carried as a clearing account, and closed out at the end of each month or other fiscal period into the appropriate departmental operating expense accounts.

420. MISCELLANEOUS ADJUSTMENTS — BALANCE.

This account includes:

a. *Inventory Adjustments—Balance*: At least once a year an inventory of materials and supplies should be taken, and the difference (with respect to any particular class of materials and supplies) between the ledger and inventory balances debited or credited to this account under this head in case it can not be assigned to a specific account.

NOTE.—Where materials and supplies have been used in construction as well as in operation, a suitable proportion of the shortages or overages disclosed by the inventory may be debited or credited to "Miscellaneous Construction Expenditures."

b. *Discounts on Materials and Supplies*.—Cr.: Credit to this account under this head all discounts received through the prompt payment of bills for materials and supplies consumed in operation, unless such discounts are applied to the particular bills.

c. *Duplicate Water Charges*.—Cr.: Credit to this account under this head all charges made to any accounts in water operating expenses for any water or other product of water operations of the corporation consumed in such operations.

d. *Water Expenses Transferred*.—Cr.: Credit to this account under this head the proportion of operating expenses, including depreciation and other amortization as well as repairs, chargeable to other coördinate departments (such as electric or street railroad) within the same corporation, but defrayed in the first instance by the water department.

NOTE.—This account should not be credited with any allowance in the nature of rent or return upon the cost or value of property.

e. Joint Operating Expense.—Cr.: When any plant or equipment is maintained or operated by the accounting corporation for the joint benefit of itself and others under an arrangement for apportioning (on the basis of the relative amounts of benefit to the several participants) the operating expenses, the portion of such expenses chargeable to others under the arrangement should be credited to this account under this head. The portion so credited should not include any allowance for profit or return upon the value of such property.

421. MISCELLANEOUS GENERAL EXPENSES.

Charge to this account all miscellaneous general expenses not elsewhere provided for and which are of such unimportant character as not to warrant the opening of separate accounts therefor.

422. TAXES.

An account should be kept of the taxes chargeable against each particular class of operations, and one for those chargeable against non-operating revenues. Each tax account should be appropriately entitled (as e. g., "Taxes Assignable to Water Operations," "Taxes Assignable to Non-Operating Revenues," etc.), and shall be so kept as to show separately the following:

State Franchise Tax on Capital Stock.
State Franchise Tax on Gross Earnings.
Special Franchise Tax.
Taxes on Real Estate.
Taxes on Personal Property.
Other Taxes (showing in detail).

To each tax account there should be charged monthly or quarterly the amount of taxes accruing during the period and such amount should be concurrently credited to the account "Taxes Accrued" (or to the account "Prepaid Taxes," if such tax is prepaid). The amount of taxes accruing during any month or quarter should, where the levy is unknown, be estimated as nearly as may be, and when the levy is ascertained the matter should be adjusted during

the remainder of the tax year. For example, if at the beginning of a tax year the taxes on a particular class of property are estimated to be \$600 for the year, the monthly charge on account of such tax should be \$50 until the amount of levy becomes known. If during, say, the fifth month, it is found that the levy for the year is \$640, there will already have been charged up four months at \$50 per month, leaving \$440 to be charged during the remainder of the year, or \$55 for the fifth month and each month during the remainder of the year.

Such taxes as pertain to two or more classes of operations or to non-operating revenues should be apportioned with regard to such operations and non-operating revenues upon an equitable basis, which basis will be required to be reported in the annual report of the corporation to the Board of Public Utility Commissioners.

423. UNCOLLECTIBLE WATER BILLS.

When any bill rendered for the sale of water or other product of water operations or for services performed in connection therewith, has proved, after reasonably diligent effort, impracticable of collection, the amount should be charged to this account and credited to the account receivable in which it has therefore been carried.

NOTE.—If it is desired that the charge to operating expenses on account of uncollectible bills be upon some arbitrary basis, the amount so charged should be credited to a reserve account against which should be charged the actual amount of bills which prove to be uncollectible.

